



## MINUTES

**Board members present:** Councilmember Nick Licata, Chair; Robert Harvey; Glen Lee (joined at 9:10); Sherri Crawford

**Board Member Absent:** Susan Coskey

**Board Member on conference line:** Jean Becker; Lou Walter (joined at 9:07)

**SCERS Staff Present:** Ken Nakatsu; Jeff Davis; Clair Foster; Tim Morrison; Jill Johnson; Tony Smith; Carmen Valerio

**Other Present:** Member Erik Sund, Legislative Staff; Charles Primm, Local 17; Tom Kirn, FAS; George Emerson, FAS; Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Frankie Tsoming; Jessica Wang, CBO

Councilmember Licata called the meeting to order at 9:01.

Councilmember Licata asked if there was anyone present who wanted to make public comment.  
There was no public comment.

### Administrative Consent Agenda Minutes:

Provided in the Retirement Board packet was the minutes from the March 13, 2014 Retirement Board regular meeting.

### Ratification of Retired Payroll, Office Payroll, Other Payments and Withdrawals:

The following items represent normal expenses and nothing extraordinary.

<b>Service</b>	\$11,298,319.88
<b>Beneficiary</b>	\$960,453.74
<b>Disability</b>	\$73,726.88
<b>Pension Payroll – PPE March 2014</b>	<b>\$12,332,500.50</b>

<b>Office Payroll – PPE March 11 and 25, 2014</b>	<b>\$115,646.57</b>
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<b>Vouchers Processed – March 31, 2014</b>	<b>\$421,746.90</b>
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- \*Expert and Consultant Services – \$ 46,184.35
- \*Investment Management Fees – \$241,649.67
- \*Interdepartmental Charges - \$106,181.40
- \*Miscellaneous - \$27,731.48

### **Immediate Withdrawals of Contributions for the month of March 2014:**

Member Name	Department Name	Position
Andrews, Michael S	City Light	Accountant
Bennett, Dawn M	HSD	Counslnr
Cornethan, Charles A	Parks	Rec Attendant
Davis, Anna T	Exec	Admin Support Asst
Eller II, Jesse R	HSD	Exec 1
Fugere, Tyler J	City Light	Material Supplier
Hamilton, Michael K	DoIT	Strat Advsr 3
Hokama, Cheryl Y	Seattle Center	Pntr
Housman, Frederick W	SDOT	Strat Advsr 2
La Vergne, David C	City Light	Comms Elctn II
Leslie, Alexander T	Parks	Life Guard
Liu, Chuan Fen	Library	Library Assoc I

Mills, Andrea L	City Light	Park Ranger
Modde, Morgan D	HSD	Social Svcs Aide
Raup, Ethan L	Exec	Exec 3
Thorberg, Eric E	SPU	Wtr Qual Engr Sr
Woldeyesus, Genet M	Parks	Prgm Aide

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

**Withdrawals for a total of: \$361,493.93**

### c. Ratification of Service Retirements

The following list represents the retirements that have been processed since the last Retirement Board meeting.

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Brucker,Jan E	2/25/2014	65	5	273	Personnel	Vested
Costello,Richard A	2/26/2014	65	8	36	Parks Dept	Maint Laborer
Davison,Shena D	2/8/2014	52	22	197	SDOT	Vested
Dobrovolny,Peter	2/13/2014	71	13	191	EXEC DEPTS	Sr Planning & Dev Spec
Gervelis,Gary M	2/12/2014	62	11	245	PublicUtil	Manager 2
Herrick,John R	2/4/2014	67	26	50	PublicUtil	Solid Wst Supvr
<b>Johnson,Gary L</b>	<b>2/7/2014</b>	<b>64</b>	<b>29</b>	<b>97</b>	<b>City Light</b>	<b>Hydro Maint Machinist</b>
Laranang,Julia M	2/12/2014	63	29	90	Sea Center	Mgmt Sys Analyst
<b>Lovrovich,Sharon A</b>	<b>2/12/2014</b>	<b>64</b>	<b>39</b>	<b>191</b>	<b>Muni Court</b>	<b>Manager 2</b>
Miller,Sarah L	2/22/2014	55	27	108	PublicUtil	Executive 2
Okamoto,John D	2/4/2014	60	18	234.01	EXEC DEPTS	Vested
<b>Palmer,Nancy C</b>	<b>2/5/2014</b>	<b>64</b>	<b>32</b>	<b>218</b>	<b>PublicUtil</b>	<b>Mgmt Sys Anlyst Sr</b>
Petrie,Lynda E	2/1/2014	64	6	184	Human Svcs	Case Manager
Pinegar,Charlotte A	2/5/2014	62	5	53	Human Svcs	Vested
Renner,Peter J	2/26/2014	60	30	332	City Light	Strat Advr 3
Rippee,Denise E	2/14/2014	61	11	196	Personnel	Vested
Shaw,Sue S	2/5/2014	63	5	155	FAS	Accounting Tech II
Skelton,John D	2/4/2014	61	31	323	DPD	Manager 3
Steele,Patricia A	2/5/2014	62	12	299	City Light	Senior Cap Proj Coord
Stoops,Kevin B	2/19/2014	58	37	19	Parks Dept	Executive 2
<b>Tarcea,Robert T</b>	<b>2/7/2014</b>	<b>62</b>	<b>13</b>	<b>22</b>	<b>Parks Dept</b>	<b>Vested</b>
Venrick,Stephanie A	2/12/2014	64	20	31	InfoTech	Executive 2
Walsh,Marilyn E	2/12/2014	66	15	27	Police	Strat Advr II
Zantek,John	2/14/2014	62	5	127	Police	Vested
						Total Added to Monthly Pension Payroll
	Average	62	19			Average Pension Amount
	Median		17			Median Pension Amount



For the month of March 2014: 65 new Members entered the System, 26 terminations, 24 Members retired in the System, 15 Members removed (\$29,164.52), 1 D/E Option, 3 F Option, and 4 over 60% benefit.

Councilmember Nick Licata asked the Board if they had any questions concerning the Administrative Consent Agenda. There were none.

The draft March minutes were revised.

**Motion:** Upon motion by Bob Harvey, seconded by Sherri Crawford the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of March 13, 2014 Board Meeting as amended.
- Ratification of Retired Payroll, Office Payroll, Other Payments and Withdrawals.
- Ratification of Service Retirements for the month of March 2014.

The motion carried unanimously.

#### Investment Accounting Summary Report – February 2014

Mr. Nakatsu mentioned overlay made \$200,000 in the month of March.

#### **1. Investment Accounting Summary Report (Staff) – February 2014**

- As of February 28, 2014, the Total Portfolio had a market value slightly greater than \$2.2 billion. The change in market values of the plan's asset classes generally moved in line with the markets.
- The Plan change in market value was -1.8% for January and +3.08 in February, bringing the year-to-date to +1.25%. The funded ratio was 70.45% as of the end of February.
- We received net distributions of approximately \$496K from the private-equity managers. Net distributions from the private real estate managers were approximately \$147K and net distributions of \$243K from the work-out portfolio, of which \$227K was from the JP Morgan Alternative Property Fund.

#### **2. Administrative Committee Report (Jean Becker)**

The Administrative Committee met on March 13, 2014 at 1:00 p. m. at the Seattle City Employees' Retirement System,

720 Third Avenue, Suite 900 (Pacific Building)

Committee members present: Jean Becker, Chair

Staff Present: Jeff Davis; Sherri Crawford; Tim Morrison; Lisa Carns

Others present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office

Ms. Becker reported that Committee reviewed the Final Average Salary & Service Credit Calculations report.

The Board will enter into Executive Session at the end of the meeting to review the report.

#### **3. Executive Director Report (Ken Nakatsu)**

Mr. Nakatsu provided the Board of Administration with an update on the SCERS Work plan.

- Mr. Davis said that Nick Collier from Milliman will be at the April 24 Investment Committee meeting to discuss the investment return and economic assumptions in the Experience study. Jennifer Sorensen Senta will cover final report at the May 8 Board meeting.
- The Board developed the Vision and Mission Values statements for the strategic plan. Staff is all participating in the development of Goals and Strategies. We will wrap up these steps on Friday, April 11. The Retirement Board Focuses on investments but most staff is involved in day-to-day operations. Mr. Nakatsu reported that we will have staff attend a future Board meeting to review our organizational development efforts.
- The SMC cleanup project is proceeding but schedule may slip due to the times it takes to prepare legislation for Council.
- On the agenda for the May 29 Investment Committee meeting will be the 1<sup>st</sup> quarter performance report and the selection of an Investment Advisor for private equity. The private equity proposals are due tomorrow, Friday, April 11 at 5:00 p.m.
- Employee Performance Evaluations have all been completed.

- The Executive Director and NEPC signed the contract for the general investment consultant.

#### 4. SCERS Operations/Finance

Mr. Davis reported on SCERS' preliminary 2015/2016 budget:

- SCERS ended 2013 with only \$0.5 million in budget authority remaining. Since the 2014 budget is less than the 2013 budget, expenses will be monitored closely to ensure they do not exceed budget authority.
- The 2015-16 budget process starts with a baseline budget which includes technical and inflationary adjustments. The SCERS baseline budget includes updates to actual pay rates of current positions and a re-allocation of an Accounting Tech I to an Accountant. Two other re-allocations, one Assistant Retirement Specialist to a Strategic Advisor II and one Accounting Tech I to an Executive III, will be broken out as a budget issue paper.
- A second budget issue paper addresses the costs related to the new Pension Administration System previously approved by the Board. The costs for 2015 and 2016 have been increased from the amounts presented to the Board last year to cover additional quality assurance costs. Councilmember Nick Licata asked if we were submitting revision to the 2014 budget. Mr. Davis explained there would be no revisions to the 2014 budget.
- The third budget issue paper relates to what is budgeted for investment manager fees. The amount of additional budget authority needed is based on current investment holdings, existing fee schedules, and a 25% growth assumption to cover the next two years. Budget issue papers are due in to the City Budget Office on May 16.
- Board member Bob Harvey asked what happens if we exceed our budget. Mr. Davis mentioned we could propose more money to the budget but would need an ordinance.
- Board member Bob Harvey asked about the Retirement Office location and the cost associated with leasing space the Pacific Building. Mr. Davis responded that space in the Seattle Municipal is being considered as a possible new location for the Retirement Office.

Ms. Claire Foster reported on the following IT projects:

- CRM will go live at the end of this month. Staff training is scheduled for April 23 and 24. Ms. Foster thanked FAS for doing a fantastic job. SCERS plans to communicate to members on how their experience will differ when they call in with a request.
- Requirements development continues for the new Pension Administration System. Staff is working to finalize the project schedule.
- Linea Solutions has begun the Business Process Redesign work for buy backs and death processing. Board Member Glen Lee asked if we are reorganizing all of the business processes. Ms. Foster mentioned we are focusing on the top 9 priority processes and that the degree of process changes will depend on Linea Solutions' findings. The types of recommended changes that could result from the BPR activity was discussed.

#### 5. New Business

Mr. Ken Nakatsu introduced the SMC proposed revisions. Mr. Nakatsu mentioned that the code contains out dated language and is difficult to read and contains obsolete provisions. The cleanup and consolidation provides non-substantive changes; just a cleaner and easier to read code.

- Mr. Morrison reported that the SMC proposed revisions were reviewed at the March 13 Administration Committee meeting and will draft legislation if the board approves the revisions.
- Board member Bob Harvey asked about fiscal impacts. Mr. Nakatsu reported there are none for these code changes.

**Motion:** Upon motion by Nick Licata, seconded by Bob Harvey, the Retirement Board of Administration approves submitting amendments to clarify SMC 4.36, City Employees' Retirement System.  
The motion carried unanimously.

Councilmember Nick Licata asked if there was any other business to come before the Board before entering into Executive Session. There were none.

#### 6. Executive Session

The Board entered into Executive Session at 9:33a.m. to discuss a labor relations matter for 45 minutes or shorter.



Executive Session ended at 10:18a.m.

Public session resumed at 10:20a.m.

Councilmember Nick Licata opened discuss for a motion.

- Board member Lou Walter asked if the recommendations that go to labor come back to the Board for final say. Mr. Davis said the Board will receive a final draft of the ordinance.

**Motion:** Upon motion by Nick Licata, seconded by Bob Harvey, the Retirement Board of Administration approves the Final Average Salary & Service Calculation methods.  
The motion carried unanimously.

**7. Adjournment: at 10:22**

**Motion:** Upon motion by Nick Licata seconded by Glen Lee, the Retirement Board of Administration votes to adjourn the meeting.  
The motion carried unanimously.

The next Board of Administration meeting  
is scheduled for  
Thursday, May 8, 2014 at 9am